

**ST. TAMMANY PARISH HOSPITAL
DEFINED CONTRIBUTION PLAN**

Management's Discussion and Analysis
and Financial Statements

December 31, 2006

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 7-25-07

Contents

Independent Auditor's Report	1 – 2
Management's Discussion and Analysis	3 – 6
Financial Statements	
Statements of Net Assets Available for Benefits	7
Statements of Changes in Net Assets Available for Benefits	8
Notes to Financial Statements	9 – 15
Independent Auditors' Report on Compliance and on Internal Control over Financial Reporting Based Upon the Audit Performed in Accordance with <i>Government Auditing Standards</i>	16 - 17



Independent Auditors' Report

The Pension Administrative Committee
St. Tammany Parish Hospital
Defined Contribution Plan

We have audited the accompanying statement of net assets available for benefits of St. Tammany Parish Hospital Defined Contribution Plan (the Plan) as of December 31, 2006 and 2005, and the related statement of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2006 and 2005, and the changes in its net assets available for benefits for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 3 through 6, is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

110 VETERANS MEMORIAL BOULEVARD, SUITE 200, METAIRIE, LA 70005-4958 • 504.835.5522 • FAX 504.835.5535
5100 VILLAGE WALK, SUITE 202, COVINGTON, LA 70433-4012 • 985.892.5850 • FAX 985.892.5956

WWW.LAPORTE.COM

RSM McGladrey Network
An Independently Owned Member

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2007, on our consideration of St. Tammany Parish Hospital Defined Contribution Plan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

A handwritten signature in cursive script, appearing to read "Lahti, Leht, Long & Neal".

A Professional Accounting Corporation

June 18, 2007

ST. TAMMANY PARISH HOSPITAL DEFINED CONTRIBUTION PLAN

Management's Discussion and Analysis Year Ended December 31, 2006

This discussion of the St. Tammany Parish Hospital Defined Contribution Plan's (the Plan) financial statements provides an overview and analysis of the Plan's financial position and activities for the year ended December 31, 2006. Please read it in conjunction with the Plan's financial statements and related notes.

Financial Highlights

The Plan's net assets available for benefits were \$32.4 million and \$27.6 million as of December 31, 2006 and 2005, respectively.

The net assets available for benefits increased by \$4.73 million (or 17%) over the reported December 31, 2005 balances, and \$3.05 million (or 12%), during the plan year ended December 31, 2004. This net increase was primarily due to employer provided contributions, investment income, and net of amounts distributed to participants.

The average overall rate of return on investments for the year was a positive 11.6% on a market value basis for the year ended December 31, 2006, compared to last year's 6.4%. Factors affecting the rate of return include changes in world equity markets during the last two years, and changes in the distribution of participant directed investments amongst the various fund options offered by the Plan. Overall rates of return are also affected by the amounts and timing of employer contributions and participant distributions throughout the Plan year.

During 2005 the Plan terminated its former investment contract with John Hancock Life Insurance Company in favor of a similar contract with ING Life and Annuity Company (ING). In accordance with the change, the Plan's assets were transferred to investment options offered by ING.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Plan's financial statements. The annual report is comprised of three components: 1) The Plan's financial statements, 2) The notes to the financial statements, and 3) the required supplementary information (management's discussion and analysis). The information available in each of the first two components is summarized as follows:

Financial Statements

The statement of net assets available for benefits presents information on the Plan's assets, liabilities and the resulting net assets held in trust for benefit of Plan participants. This statement reflects the Plan's investments at estimated fair value, along with cash and other assets and liabilities as applicable. This statement indicates the net assets available to pay future benefits and gives a snapshot of the Plan's financial position at a particular point in time.

The statement of changes in net assets available for benefits presents information showing how the Plan's net assets held in trust changed during the years ended December 31, 2006 and 2005. It reflects contributions by the Plan Sponsor (St. Tammany Parish Hospital), along with deductions for benefits paid to participants upon retirement or other separation of employment.

**ST. TAMMANY PARISH HOSPITAL
DEFINED CONTRIBUTION PLAN**

**Management's Discussion and Analysis
Year Ended December 31, 2006**

Investment income is also presented showing income from the Plan's participant directed investment choices.

Notes to Financial Statements

The notes to financial statements provide additional information that is essential to a full understanding of the data provided in the Plan's financial statements.

Financial Analysis

Total assets of the Plan were \$32.4 million as of December 31, 2006, compared with \$27.6 million as of December 31, 2005, and \$24.6 million as of December 31, 2004. The Plan's invested assets consist principally of units of participation in *pooled separate accounts*, which comprise the majority of the Plan's former investment contract with John Hancock USA and current contract with ING Insurance and Annuity Company. Pooled separate accounts are similar to a common or commingled trust maintained by a bank, except that a pooled separate account is maintained by an insurance company rather than bank. The assets underlying a pooled separate account are the insurance company's property, with each of two or more unrelated participating plan's units of participation representing rights to the assets underlying the separate account. The Plan has not reported any liabilities during the last three years.

A summary of the Plan's net assets for each of the last three years is presented below:

	December 31,		
	2006	2005	2004
Assets			
Investments at Estimated Fair Value	\$ 32,381,035	\$ 27,645,571	\$ 24,589,288
Cash	-	-	6,669
Total Assets	<u>\$ 32,381,035</u>	<u>\$ 27,645,571</u>	<u>\$ 24,595,957</u>
Net Assets Available for Benefits	<u>\$ 32,381,035</u>	<u>\$ 27,645,571</u>	<u>\$ 24,595,957</u>

**ST. TAMMANY PARISH HOSPITAL
DEFINED CONTRIBUTION PLAN**

**Management's Discussion and Analysis
Year Ended December 31, 2006**

A summary of the changes in net assets during the years ending December 31, 2006, 2005, and 2004 follows:

	December 31,		
	2006	2005	2004
Additions			
Net Investment Income	\$ 3,495,755	\$ 1,669,063	\$ 2,565,251
Employer's Contribution	2,776,052	2,690,679	2,337,892
Total Additions	6,271,807	4,359,742	4,903,143
Deductions			
Benefits Paid to Participants	1,536,343	1,310,128	999,437
Total Deductions	1,536,343	1,310,128	999,437
Increase in Net Assets	\$ 4,735,464	\$ 3,049,614	\$ 3,903,706

The Plan's increase in net assets during the Plan year ended December 31, 2006, reflects a net addition of \$4.7 million, which represents the Plan's net investment income earned for the year, contributions from the Plan Sponsor, net of distributions and other benefits paid to plan participants. For the year ended December 31, 2006 the Plan's investments earned income at rates comparable to those of the underlying securities and/or stated interest rates.

The Plan's increase in net assets during the Plan year ended December 31, 2005 of \$3.0 million, reflects an addition of \$1.6 million, which represents the Plan's net investment income earned for the year. While the overall equity and debt securities markets in which the Plans investments are based, continued to post an overall decrease in return on investment begun in the prior year, the Plan's overall return also reflected a shift in the investment options chosen by participants in the second half of 2005. Subsequent to the change to ING in August 2005, the Plan experienced a much higher percentage of its funds invested in the more conservative fixed income fund option. This option guarantees a minimum interest rate and posted interest at a rate of 2.9% during the year, but produced an overall lower rate of return than the more aggressive growth or equity funds favored by the same participants in 2004.

The Plan's changes in net assets, as shown above, also reflect approximately \$2.8 and \$2.7 million of employer contributions in the Plan for the years ended December 31, 2006 and 2005, respectively. The employer contribution was generally calculated as 6% of eligible salaries as defined by the Plan. St. Tammany Parish Hospital experienced increases in both the number of employees and in overall salaries during the years 2004, 2005, and 2006. Net contributions remained relatively constant in 2006 and 2005 as reallocations of forfeitures from terminating participants' non-vested account balances were used to reduce the required amount of employer contributions. Forfeitures used to reduce required employer contributions were approximately \$400,000 in 2004 and \$290,000 in 2005.

**ST. TAMMANY PARISH HOSPITAL
DEFINED CONTRIBUTION PLAN**

**Management's Discussion and Analysis
Year Ended December 31, 2006**

In 2006, employer contributions were reduced \$339,000 by the utilization of forfeitures generated from the non-vested accounts of former participants.

Benefits paid to participants primarily include payments and rollovers of the vested account balances of participants withdrawing from participation in the Plan upon termination of employment with the Hospital, and retirement benefits. While a similar amount of participants received benefit payments in both 2004 and 2005, the average benefit paid to participants decreased from approximately \$33,000 to \$30,000, respectively. In 2006, the average benefit per participant receiving distributions was \$32,688.

Requests for Additional Information

Questions concerning any of the information provided herein or requests for additional financial information should be addressed to St. Tammany Parish Hospital Defined Contribution Plan, Administration, 1202 S. Tyler Street, Covington, LA 70433.

**St. Tammany Parish Hospital
Defined Contribution Plan**

**Statements of Net Assets Available for Benefits
December 31, 2006 and 2005**

	2006	2005
<hr/>		
Assets		
Investments at Estimated Fair Value		
Pooled Separate Accounts	\$ 26,097,197	\$ 21,674,094
Deposit Administration Contracts	6,283,838	5,971,477
	<hr/>	
Total Assets	\$ 32,381,035	\$ 27,645,571
	<hr/>	
Net Assets		
Net Assets Available for Benefits	\$ 32,381,035	\$ 27,645,571
	<hr/>	

The accompanying notes are an integral part of these financial statements.

**St. Tammany Parish Hospital
Defined Contribution Plan**

**Statements of Changes in Net Assets Available for Benefits
Years Ended December 31, 2006 and 2005**

	2006	2005
Additions to Net Assets Attributed to		
Investment Income:		
Net Appreciation in Fair Value of Investments	\$ 3,344,411	\$ 1,617,317
Interest on Guaranteed Accounts	151,344	51,746
Contributions		
Employer's	2,776,052	2,690,679
Total Additions	6,271,807	4,359,742
Deductions from Net Assets Attributed to		
Benefits Paid to Participants	1,536,343	1,310,128
Total Deductions	1,536,343	1,310,128
Net Increase	4,735,464	3,049,614
Net Assets Available for Benefits		
Beginning	27,645,571	24,595,957
Ending	<u>\$ 32,381,035</u>	<u>\$ 27,645,571</u>

The accompanying notes are an integral part of these financial statements.

**ST. TAMMANY PARISH HOSPITAL
DEFINED CONTRIBUTION PLAN**

Notes to Financial Statements

Note 1. Description of the Plan

The following description of the St. Tammany Parish Hospital Defined Contribution Plan (the Plan) provides only general information. Participants should refer to the Plan agreement and the Summary Plan Description of the Plan, which is made available to all participants, for a complete description of the Plan's provisions.

General: The Plan is a noncontributory, defined contribution pension plan covering all eligible full-time and part-time employees of St. Tammany Parish Hospital Service District No. 1 (the Hospital). The Plan and Trust of which it is a part are intended to satisfy all of the requirements for a qualified retirement plan under the appropriate provisions of the Internal Revenue Code (IRC) and similar state tax laws.

Hospital service districts in Louisiana are authorized under Louisiana Revised Statute 46:1068 to establish and maintain actuarially sound pension and retirement systems making contributions from hospital service district funds. They may make contracts of insurance with any insurance company legally authorized to do business in Louisiana and may enter into other contracts and trust agreements with banks, which are incidental to creating and maintaining an actuarially sound pension and retirement system.

The Plan is classified as a governmental plan and is not subject to Title I of the Employee Retirement Income Security Act of 1974 (ERISA). The Plan, accordingly, does not file Form 5500, which was developed by the Internal Revenue Service, Department of Labor, and the Pension Benefit Guaranty Corporation to satisfy the reporting requirements of the IRS and ERISA.

Eligibility: Employees of the Hospital who have completed the minimum requirement of one year of service are eligible to participate in the Plan. An employee is credited with one year of service for each twelve consecutive months in which the participant has completed 1,000 or more hours of service with the employer.

Contributions: The Plan requires employer contributions equal to 6% of the aggregate compensation of all participants. Contributions are remitted to the trustee and are invested in accordance with the provisions of the Plan. Participants direct the investment of contributions on their behalf into various investment options offered by the Plan.

Participants' Investment Options: As detailed in Note 3, during 2005 the Plan changed its investment options offered to participants. Investment options available to participants include a guaranteed interest account, and numerous variable equity and fixed income fund options provided through a pooled separate account arrangement.

**ST. TAMMANY PARISH HOSPITAL
DEFINED CONTRIBUTION PLAN**

Notes to Financial Statements

Note 1. Description of the Plan (Continued)

Vesting: Employer contributions on behalf of participants are 100% vested after five years of credited service.

Participant Accounts: Income earned on investments and the net realized and unrealized appreciation in estimated fair value of investments are allocated to participants' accounts in the ratio of each participant's adjusted beginning balance to the adjusted beginning balance for all participants. The adjusted beginning balance is defined as the account balance at the beginning of the period less withdrawals, distributions, forfeitures and other payments made during the period.

Upon retirement, death, or disability, the participant is entitled to receive the value of his or her account within 60 days after the close of the Plan year in which the event occurred. The participant may elect to receive the vested portion of the account in a lump-sum distribution or in periodic payments. Terminated employees receive benefits no later than 60 days after the end of the first Plan year after the break in service occurs.

Forfeitures: Forfeitures of terminated employees' non-vested account balances are applied as a reduction of employer contributions. During 2006 and 2005, employer contributions were reduced by \$338,444 and \$290,949, respectively, from forfeited non-vested accounts.

At December 31, 2006 and 2005, the remaining balance of forfeited non-vested accounts totaled \$113 and \$-0-, respectively. The balance of forfeited non-vested accounts may be used to reduce future employer contributions.

Note 2. Significant Accounting Policies

The financial statements are prepared in accordance with standards established by the Governmental Accounting Standards Board (GASB). As of January 1, 2004, the Plan adopted GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and related standards.

Basis of Accounting: The financial statements of the St. Tammany Parish Hospital Defined Contribution Plan have been prepared on the accrual basis of accounting. Employer contributions are recognized in the period in which the employee is compensated for services performed. Benefits are recognized when due and payable in accordance with the terms of the Plan. Interest and dividend income is recognized when earned.

As Described in Financial Accounting Standards Board Staff Position, FSP AAG INV-1 and SOP 94-4-1, reporting of Fully Benefit-Responsive Investment contracts Held by Certain Investment Companies Subject to the to the AICPA Investment Company Guide and Defined Contribution Health and Welfare and Pension Plans (the FSP). Investment contracts held by a defined contribution plan are required to be reported at fair value. However, contract value is the relevant measurement attribute for that portion of the net assets available for benefits of a defined contribution plan attributable to fully benefit-responsive investment contracts because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the plan.

**ST. TAMMANY PARISH HOSPITAL
DEFINED CONTRIBUTION PLAN**

Notes to Financial Statements

Note 2. Significant Accounting Policies (Continued)

The FSP requires the Statement of Net Assets Available for Benefits to present the fair value of the investment contracts as well as an adjustment of the fully benefit responsive investment contract from fair value to contract value.

Investments: The Plan's investments were held by the Plan's trustees, John Hancock Life Insurance Company (U.S.A.) ("John Hancock USA") and later ING Life Insurance and Annuity Company (ING). Under the terms of the trust agreements, the current and former trustees administered the investment transactions of the Plan on behalf of the participants and have (had) discretionary authority over the Plan's assets, which can include investing in the trustee's administered accounts. The investments and changes therein are reported at fair value as determined by the trustee.

In July 2005, the Plan administrator terminated its group annuity contract with John Hancock USA in favor of a similar contract with ING Life and Annuity Company. This change resulted in a complete liquidation of the Plan's John Hancock USA deposit administration contract (guaranteed investments contracts or GICs) and John Hancock USA pooled separate account investment options. The proceeds were immediately reinvested in an ING deposit administration contract and ING maintained pooled separate account.

All investments in 2006 and 2005 consisted of either deposit administration contracts or pooled separate accounts. The accounts are managed and administered by the custodians and related entities. As administrator, the custodian is responsible for calculating the per unit market value of the respective funds' net assets. Under the terms of the prospectuses, the Plan can divest itself of the investments by reselling them to the respective fund daily at a unit price equal to the per unit interest of the market value of the funds' net assets. The investments in these funds are stated at the Plan's pro rata interest in the market value of the funds' net assets.

Investment Valuation and Income Recognition: Investments in insurance company pooled separate accounts are reported at the value reported to the Plan by the insurance company, which represents approximate fair value. [The deposit administration contracts are reported at estimated fair value by John Hancock, USA, and later ING, calculated by discounting related cash flows based on yields of similar instruments with comparable durations, and do not materially differ from contract value.] Accordingly, no adjustment from fair value to contract value as discussed above is presented. Investments in pooled separate accounts are valued utilizing quoted market prices.

Purchases and sales of investments are recorded on a trade-date basis. Investment income is primarily comprised of realized and unrealized appreciation and depreciation of the fair value of the investments.

Payment of Benefits: Benefits are recorded when paid.

**ST. TAMMANY PARISH HOSPITAL
DEFINED CONTRIBUTION PLAN**

Notes to Financial Statements

Note 2. Significant Accounting Policies (Continued)

Administrative Expenses: St. Tammany Parish Hospital (the Plan Sponsor) bears most of the administrative costs of the Plan. The Trustee fees that are borne by the Plan are treated as an investment expense and are deducted from investment earnings allocated to the participants' accounts.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Note 3. Investments

The following table presents the fair value of the participant-directed investments in this Plan. Single participant directed investment options representing more than 5% of the Plan's net assets are separately identified.

	December 31,	
	2006	2005
<u>ING Life Insurance and Annuity Company Contract</u>		
<u>No. PH9188</u>		
Participant-directed investment options within ING Life and Annuity Company Separate Account D:		
American Century Large Company Value Fund – R	\$ 7,666,554 *	\$ 6,422,649 *
Mutual Discovery Fund – R	3,479,757 *	2,936,767 *
Pioneer Strategic Income Fund – R	3,851,417 *	3,626,456 *
Other Separate Account D Fund options	11,099,470	8,688,222
ING Fixed Account – Guaranteed Interest Account	6,283,838 *	5,971,477 *
	<u>\$ 32,381,035</u>	<u>\$ 27,645,571</u>

* - Represents an individual investment option totaling more than 5% of the Plan's net assets in the respective year.

**ST. TAMMANY PARISH HOSPITAL
DEFINED CONTRIBUTION PLAN**

Notes to Financial Statements

Note 3. Investments (Continued)

A summary of net realized and unrealized appreciation (depreciation) in fair value of investments follows for the years ended December 31, 2006 and 2005:

	December 31,	
	2006	2005
<u>ING Life Insurance and Annuity Company Contract</u>		
<u>No. PH9188</u>		
Participant-directed investment options within ING Life and Annuity Company Separate Account D:		
American Century Large Company Value Fund – R	\$ 1,233,728	\$ 155,118
Mutual Discovery Fund – R	654,885	178,161
Pioneer Strategic Income Fund – R	221,962	(6,071)
Other Separate Account D Fund options	1,233,836	389,685
 <u>John Hancock Life Insurance Company</u>		
<u>Group Annuity Contract No. 51744</u>		
Participant-directed investment options within John Hancock Established or Maintained Pooled Separate Accounts:		
John Hancock Lifestyle Fund – Conservative Portfolio	-	10,570
John Hancock Lifestyle Fund – Moderate Portfolio	-	251,985
John Hancock Lifestyle Fund – Balanced Portfolio	-	160,713
John Hancock Lifestyle Fund – Growth Portfolio	-	225,939
John Hancock Lifestyle Fund – Aggressive Portfolio	-	140,677
Other John Hancock Sub-Account Funds	-	110,540
 Net appreciation	 \$ 3,344,411	 \$ 1,617,317

Authorized Investments: Louisiana state statutes authorize the Plan to invest in direct obligations of the U.S. Treasury and other federal agencies, time deposit with state and national banks having their principal office in the State of Louisiana, guaranteed investment contracts issued by highly rated financial institutions, and certain investments with qualifying mutual or trust fund institutions. Louisiana statutes also require that all of the deposits of the Plan be protected by insurance or collateral. The market value of collateral pledged must equal or exceed 100% of the deposits not covered by insurance. The Plan's carrying amount of cash deposits was \$-0- and \$-0- as of December 31, 2006 and 2005, respectively.

**ST. TAMMANY PARISH HOSPITAL
DEFINED CONTRIBUTION PLAN**

Notes to Financial Statements

Note 3. Investments (Continued)

Interest rate risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Plan's pooled separate account investment has no maturity date. The Plan's deposit administration contract investment (ING Fixed Account investment) similarly, has no specific maturity dates. The ING Fixed Account guarantees principal and a minimum guaranteed interest rate for the life of the investment and features two declared interest rates: a current rate, determined at least monthly, and a guaranteed minimum floor rate declared for a defined period – currently one calendar year. The guaranteed minimum floor rate may change after the end of the defined period, but it will never be lower than the minimum guaranteed rate. The current rate, the guaranteed minimum floor rate and the minimum guaranteed interest rate are expressed as annual effective yields.

Credit risk: Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. As of December 31, 2006, the Plan's investments in ING Life Insurance and Annuity Company were rated AA/Stable by Standard & Poor's, and Aa1 by Moody's Investors Service.

Concentration of credit risk: The Plan's investment policy seeks to maximize participant diversification opportunities to reduce overall portfolio risk while generating growth of asset value.

The Plan places no limit on the amount that may be invested with one issuer.

The amount of the Plan's funds allocated to the ING Fixed Account discussed above are held in ING's general account which supports insurance and annuity obligations. The safety of the interest rate guaranteed under the contract is dependent on ING's claims paying ability. The Plan's funds allocated to the ING Life Insurance and Annuity Company Separate Account D will not be charged with liabilities arising out of any other business ING may conduct, but obligations of the account, including the promise to make benefit payments are obligations of ING. As of December 31, 2006, the Plan's investments consisted solely of the aforementioned ING general account and ING pooled separate account investments. As of December 31, 2006, the Plans total investment composition was as follows:

ING Life Insurance and Annuity Company,		
Pooled Separate Account D Funds	\$ 26,097,197	81%
General Account Funds	6,283,838	19%
Total Invested Assets	<u>\$ 32,381,035</u>	<u>100%</u>

Custodial credit risk: Custodial credit risk is the risk that in the event of financial institution failure, the Plan's deposits may not be returned to it. The Plan's invested funds represent direct contractual investments and are not considered securities exposed to custodial credit risk.

**ST. TAMMANY PARISH HOSPITAL
DEFINED CONTRIBUTION PLAN**

Notes to Financial Statements

Note 4. Investment Contract

As described in Note 2, because the Plan's investment contract is fully benefit-responsive, contract value is the relevant measurement attribute for that portion of the net assets available for benefits attributable to the investment contract. Contract value represents contributions made under the contract, plus earnings, less participant withdrawals and administrative expenses. Participants may ordinarily direct the withdrawal or transfer of all or a portion of their investment at contract value. Certain events limit the ability of the Plan to transact at contract value with the insurance company. Such events are typically defined as surrenders, as defined in the contract. The Plan Administrator does not believe that the occurrence of any such value event, which would limit the Plan's ability to transact at contract value with participants, is probable.

The crediting interest rate and average yield for the Plan's ING Fixed Account investment for 2006 and 2005 was 2.5%. The crediting interest rate is based on a formula agreed upon with the issuer, but currently may not be less than 2.25 percent. Such interest rates are reviewed on a periodic basis for resetting.

Note 5. Plan Termination

Although the Plan Sponsor has not expressed any intent to do so, the Plan Sponsor has the right to modify, suspend, or discontinue contributions to the Plan at any time, and such action shall not be deemed to be a termination of the Plan. The Plan Sponsor also has the right to terminate the Plan subject to the provisions of ERISA.

In the event the Plan terminates, the balance in each participant's or retired participant's account shall immediately become fully vested and nonforfeitable. Each participant, retired participant, or beneficiary shall be entitled to receive any amounts then credited to his or her account.

Note 6. Income Tax Status

The Internal Revenue Service has ruled that the Plan qualifies under Section 401(a) of the Internal Revenue Code (IRC) and is, therefore, not subject to tax under present income tax law. Once qualified, the Plan is required to operate in conformity with the IRC to maintain its qualification. The Pension Administrative Committee is not aware of any course of action or series of events that have occurred that might adversely affect the Plan's qualified status.

Note 7. Related Party Transactions

Plan investments include units of funds managed by ING. ING is the trustee as defined by the Plan and, therefore, these transactions qualify as party-in-interest transactions.



**Report on Internal Control Over Financial
Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements
Performed in Accordance With Government
Auditing Standards**

The Pension Administrative Committee
St. Tammany Parish Hospital Defined
Contribution Plan

We have audited the financial statements of St. Tammany Parish Hospital Defined Contribution Plan, as of and for the year ended December 31, 2006, and have issued our report thereon dated June 18, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered St. Tammany Parish Hospital Defined Contribution Plan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the but not for the purpose of expressing an opinion on the effectiveness of the St. Tammany Parish Hospital Defined Contribution Plan's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the St. Tammany Parish Hospital Defined Contribution Plan's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

110 VETERANS MEMORIAL BOULEVARD, SUITE 200, METAIRIE, LA 70005-4958 • 504.835.5522 • FAX 504.835.5535
5100 VILLAGE WALK, SUITE 202, COVINGTON, LA 70433-4012 • 985.892.5850 • FAX 985.892.5956

WWW.LAPORTE.COM

RSM McGladrey Network
An Independently Owned Member

Compliance and Other Matters

As part of obtaining reasonable assurance about whether St. Tammany Parish Hospital Defined Contribution Plan's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Pension Administrative Committee, management, and the State of Louisiana Legislative Auditor and is not intended to be, and should not be, used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



A Professional Accounting Corporation

June 18, 2007